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FINANCIAL SITUATION OF UNIDO

Addendum

Revised appropriations for the biennium 1994-1995

Report by the Director-General

Summary

Describes measures intended for strengthening the UNIDO Country Director (UCD) programme in the regular budget through the utilization of resources resulting from reductions in the budgeted cost of established posts.

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Introduction

1. A recent review of actual salary costs shows the need for a downward revision of the Professional-level standard salary costs, which would result in a positive variance between budgeted costs and actual costs in the current biennium. The present document describes the intended utilization of the cost reductions in standard salary costs to strengthen the UNIDO Country Director (UCD) programme in the current biennium, in response to Industrial Development Board decision IDB.12/Dec.11 which affirms the importance of all UCD offices operating on a sound financial basis and of achieving the target of 50 UCDs or at least maintaining the present number. Such an approach would not result in any increase in the regular budget or in the assessment of Member States for the current 1994-1995 biennium.

I. IDENTIFICATION OF REDUCED BUDGETARY COSTS

2. A comparison of current actual salary costs with the standard salary costs applied in the preparation of the budget for the 1994-1995 biennium was made for all posts at all levels. The comparison of current actual salary costs with standard salary costs applied in the budget for the 1994-1995 biennium projects a positive variance of some 1.4 per cent of total budgeted salary costs. The variance arises mainly as a result of the assumptions for inflation and other cost increases budgeted in the standard salary costs for the prior biennium not having been realized. The financial impact of the change in standard salary costs would be a reduction in the cost of established posts and common staff costs by approximately $1.9 million, representing 1.0 per cent of the total net regular budget for the 1994-1995 biennium.

3. While it is still too early in the biennium to definitely confirm the accuracy of assumptions made for inflation and other cost increases for

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1994 and 1995 included in the programme and budgets, current indicators confirm that these assumptions remain essentially valid.

II. UCD PROGRAMME

Current situation

4. The current financial situation of the UCD programme is described in document PBC.10/4. Notwithstanding the Organization's need to place the programme on a more sound financial footing and to expand the network of offices to achieve the target of 50 posts, the programme continues to be seriously underfunded.

5. The inclusion in the regular budget for 1994-1995 of financial provision for eight field offices has permitted the Organization to maintain an equivalent level of field representation in 1994 as compared to 1993. The call on host Governments to assist with the local support costs funding has met with a positive response, albeit on a small scale. The most recent example was the commitment of a Member State to finance local support costs, as stated during the twelfth session of the Industrial Development Board. Nevertheless, the prospects of maintaining the 1994 level of posts throughout the current biennium are doubtful, given the reduced level of resources anticipated from the UNDP sectoral support component for 1995. The programme benefited in 1994 from a carry-over of funds to the amount of $0.6 million that will not be available in 1995. Furthermore, the Organization faces continuing difficulties in financing UCD posts from the operational budget.

UCD provision in the regular budget

6. In view of the importance of a field presence for the effective implementation of UNIDO programmes, the regular budget resources released as a result of the reorganization and staff structuring were allocated in the 1994-1995 programme and budgets (GC.5/14/Rev.1 and Corr.1) to strengthen the UCD programme.

7. The programme and budgets for the 1994-1995 biennium include provision under the regular budget for the full funding of six offices, including UCD posts and local support costs and two offices for which only the local support costs are budgeted. It is now intended to include in the 1994-1995 biennium two new UCD posts for the offices currently only partially funded and funding for an additional four UCD posts and local support staff.

8. The regular budget resource requirements would be as follows:

Subprogramme 380 - Field Offices a/

(In thousands of US dollars at US$ 1 = AS 12.90 at 1994-1995 rates)

Established posts and common staff costs	US$
6 Professional-level posts (P-5)	1,444.2
8 General Service-level posts	525.6
Total	1,969.8

a/ The objectives and activities of the Field Office subprogramme under which the UCD posts and other support costs are budgeted are described in the programme and budget document GC.5/14/Rev.1.

Financing of an increase in the UCD programme

9. The financing of the additional funding for the UCD programme would be made through a reallocation of resources within the total net 1994-1995 regular budget resource level of $196,310,300. As described above, the reallocation is made possible due to the lower actual costs in salaries anticipated in the current biennium as compared to the standard salary costs assumed in the budget. Although the individual major programmes of UNIDO, other than major programme 300 (Country Strategy and Programme Development), would show a reduction in dollar terms, the number of posts included in the budget in those major programmes would remain unchanged. Major programme 300 (Country Strategy and Programme Development) would show a budgetary increase resulting from the inclusion of the additional resources proposed under the field offices subprogramme. The annex to the present document shows the redeployment of resources for the 1994-1995 biennium between major programmes. No redeployment of resources by major objects of expenditure would be involved.

10. The Director-General sees those measures as a unique opportunity to renew and strengthen this high priority programme without increasing the currently approved resource levels available under the regular budget.

III. ACTION REQUIRED OF THE COMMITTEE

11. The Committee may wish to recommend to the Industrial Development Board that it take note of the measures described above and the resulting redeployment of resources as shown in the annex to the present document, which would be incorporated into annex IV of document PBC.10/10.

Annex

APPROPRIATIONS FOR 1994-1995 BY MAJOR PROGRAMME: ADDITIONAL REVISIONS

(In thousands of US dollars at US$1 = AS12.90)

Major programme	As contained in PBC.10/10 (a)			Redeployments a/ (b)			Resulting revisions (c)=(a)+(b)		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
100 Policy-making organs	2,231.7		2,231.7				2,231.7		2,231.7
200 General Management	11,266.6		11,266.6	(96.5)		(96.5)	11,170.1		11,170.1
300 Country Strategy and Programme Development	20,538.7		20,538.7	1,699.4		1,699.4	22,238.1		22,238.1
400 Mobilization and Management of Financial Resources	7,253.4		7,253.4	(116.0)		(116.0)	7,137.4		7,137.4
500 Information and Research	14,219.6		14,219.6	(161.2)		(161.2)	14,058.4		14,058.4
600 Human Resource, Enterprise and Private Sector Development	11,516.6		11,516.6	(178.8)		(178.8)	11,337.8		11,337.8
700 Industrial Sectors and Environment	21,696.3		21,696.3	(352.7)		(352.7)	21,343.6		21,343.6
800 Investment and Technology Promotion	16,858.9		16,858.9	(267.2)		(267.2)	16,591.7		16,591.7
900 Common Programmes	17,178.0		17,178.0				17,178.0		17,178.0
1000 Operational Support	6,784.6	249.0	6,535.6	(85.7)		(85.7)	6,698.9	249.0	6,449.9
1100 Joint and Common Services	64,584.4	28,743.6	35,840.8	(281.5)		(281.5)	64,302.9	28,743.6	35,559.3
1200 Administration	35,191.4	2,422.0	32,769.4	(159.8)		(159.8)	35,031.6	2,422.0	32,609.6
1300 Miscellaneous Income		1,595.3	(1,595.3)					1,595.3	(1,595.3)
	229,320.2	33,009.9	196,310.3	0.0	0.0	0.0	229,320.2	33,009.9	196,310.3

a/ Negative resource adjustments arise from the change in standard salary costs. Post levels in all divisions other than Country Strategy and Programme Development remain unchanged.